



March 16, 2012

Obama Budget Means Trillions in New Debt, Deficits, and Spending

The Congressional Budget Office released today its estimate of the president's fiscal year 2013 budget. The United States will record a deficit of more than \$1 trillion for every year of Obama's first term. The CBO estimate confirms what we already knew: the president's budget is bad for jobs, bad for seniors, and bad for the economy.

Debt: \$16 trillion at the end of fiscal year 2012
Deficits: \$3.5 trillion more in deficits over current law
Spending: \$1.2 trillion more spending over current law

Debt

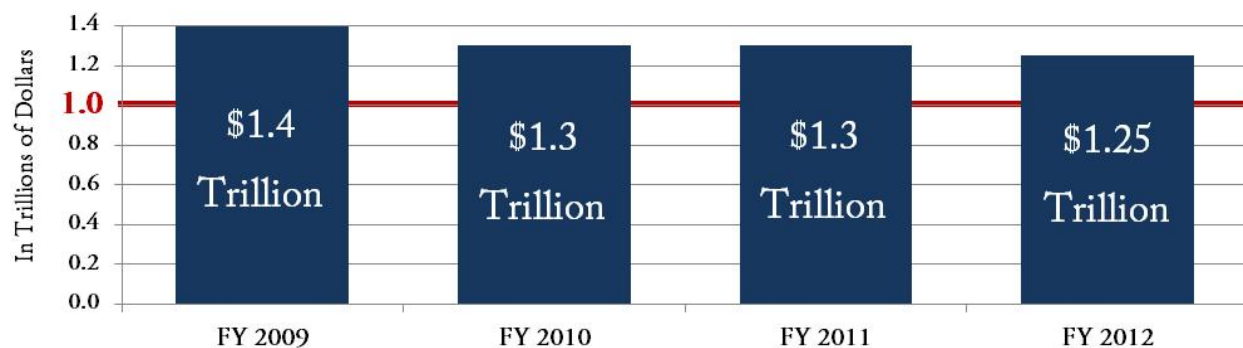
The president's budget deficit in fiscal year 2012 will be \$1.25 trillion. This would put the **total national debt at \$16 trillion at the end of fiscal year 2012** (September 30, 2012). The country's debt limit is \$16.4 trillion.

- By the end of his first term, President Obama will have increased the national debt by over \$5 trillion; more than any other president.
- The president will double publicly held debt in five years from the day he took office. Publicly held debt is owned by both foreign and domestic investors.
 - Interest costs skyrocket due to this increase in national debt. Interest costs of \$230 billion in fiscal year 2011 increase to \$743 billion (or 3% of GDP) by 2022.
 - Interest costs in fiscal year 2022 will be higher than all Defense and Veterans discretionary spending.

Deficits

The 10-year window of the president's budget shows \$6.4 trillion in additional deficits, an **increase of \$3.5 trillion from current law**, for fiscal years 2013 to 2022.

- This is the fourth year in a row with deficits over a trillion dollars.
 - FY 2009 – \$1.4 trillion
 - FY 2010 – \$1.3 trillion
 - FY 2011 – \$1.3 trillion
 - FY 2012 – \$1.25 trillion



- The fiscal year 2013 deficit is a rounding error away from \$1 trillion. It is projected to be \$977 billion, \$76 billion more than the president had projected just last month.
- This budget does not stabilize deficits. Deficits as a percentage of GDP steadily increase by the end of the president's 10-year budget, failing to address long-term fiscal discipline.

Spending

Spending will reach 23.5% of GDP in 2012. The president's budget contains \$45.4 trillion in total 10-year spending from fiscal year 2013 to 2022, **\$1.2 trillion more in spending** over the CBO baseline.

- Fiscal year 2008 [spending](#) was 20.6% of GDP (the last full fiscal year before the Democrats' stimulus). The 40-year historical average spending level is 20.8% of GDP.
- Under President Obama:
 - Fiscal year 2009 [spending](#) was 25% of GDP.
 - Fiscal year 2010 and 2011 [spending](#) were both 24% of GDP.
 - The president's budget locks in permanently higher spending levels. Even after the economy is projected to recover, the president's budget never lowers spending below 22% of GDP in the 10-year window. Not only does it not get spending equal to or below the 40-year historical average of 20.8%, it actually increases spending as a percentage of GDP in the latter half of the 10-year window.
- The president's permanently higher spending underscores the need for fundamental entitlement reform, something President Obama has not [seriously embraced](#).

- CBO confirms that the president ignores the need for a spending sequester under the Budget Control Act. As CBO says, “[t]he President’s budget does not include those reductions.”

Entitlements

The president’s budget continues the explosive and unsustainable cost growth of entitlement programs – **Social Security, Medicare and Medicaid continue their large annual increases.**

- Federal spending on mandatory programs, including Medicare, Medicaid, and other health care programs will climb 69% from \$2.12 trillion to \$3.59 trillion. This is an annual growth in entitlement spending of nearly 5.5%.
- Though the president has [admitted](#) “It’s not an option for us to just sit by and do nothing” with regard to Medicare, he has not proposed reforms that will make Medicare or any of the other entitlement programs solvent.
 - The president’s health care law will increase health care spending by a staggering \$1.75 trillion over nine years.
 - The president’s budget contains two minor reforms to Medicare, but both changes are delayed until after President Obama leaves office.
 - In 2017, the budget requires additional “means testing” for wealthy Medicare beneficiaries.
 - The budget also relies on the Independent Payment Advisory Board (IPAB), a board of unaccountable bureaucrats, to mandate health care decisions for Medicare recipients. There is bipartisan opposition to IPAB.
- By 2036, Social Security benefits for all retirees will be cut by 23%. Under the president’s budget, Americans who are currently 43 years old or younger will never get full Social Security benefits.
- Without serious reforms, entitlement programs will weaken for beneficiaries and **will not be there** for future generations.